



LOS ANGELES COUNTY CAPITAL ASSET LEASING CORPORATION

MICHAEL A. JIMENEZ
President

MAHESH PAREKH
Vice President

BONDIE O. GAMBRELL
Secretary – Treasurer

ROBERT E. BUSH
Director

Director

Khanh Nguyen
Martha Littlefield
Ken Wales
Assistant Secretaries

MINUTES **MAY 5, 2005 MEETING** Kenneth Hahn Hall of Administration 500 West Temple Street, Room 383 Los Angeles, CA 90012

PRESENT

Michael A. Jimenez, President
Bondie O. Gambrell, Treasurer
Robert E. Bush, Director

ABSENT

Mahesh Parekh, Director

CALL TO ORDER

President Jimenez called the meeting to order at 10:02 a.m.

APPROVAL OF AUGUST 26, 2004 MINUTES

On motion of Director Bush, seconded by Director Gambrell, the Corporation unanimously approved the January 13, 2005 minutes.

LETTER OF CREDIT AMENDMENTS (AND RESOLUTION)

a. First Amendment to Second Amended and Restated Irrevocable Letter of Credit:

Doug Baron, Treasurer and Tax Collector (TTC), reported this item is a restatement of the Letter of Credit (LOC) to the paying agent Deutsche Bank. The German State Bank guarantee will last until 2007 at which point the Corporation will be subject to unsecured ratings; however, amending the Letter of Credit before July 18, 2005 will allow more flexibility through 2017 at a secured rating.

On motion of Director Bush, seconded by Director Gambrell, the Corporation unanimously approved the First Amendment to Second Amended and Restated Irrevocable Letter of Credit.

b. Fourth Amendment to Letter of Credit and Reimbursement Agreement:

Doug Baron reported the final termination date is December 15, 2015; however, a provision for early termination can be executed on May 1, 2010. LOC banks can request County and LAC-CAL to restructure our fees, although County can terminate letter of credit at any time if needed. The amendments provide a new fee structure which decreases fees on the utilized portion of the LOC by forty percent and the unutilized portion of the LOC by twenty percent.

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These new fee structures will save the County up to \$400,000 annually based on the current level of Issuance. Further, additional flexibility gained is: the option to go to 2015; the ability to terminate with a 30 day notice; or seek other financing through other banking institutions. The current amount of Commercial Paper outstanding is \$187 million, although LAC-CAL has an authorized amount of \$209 million and a maximum amount of \$335 million. Currently, LOC fees are paid on the authorized amount of \$209 million. If the County issued the full amount (\$335 million) of commercial paper, the County would save \$585,000 annually. TTC recommends LAC-CAL continues with the Commercial Paper program as a means to financing the LAC+USC and other capital projects as needed.

Director Gambrell asked if any potential pitfalls/shortcomings may result regarding the proposed amendments. Mr. Baron stated a slight premium of 2 basis points may arise on Commercial Paper notes but it's still less costly than negotiating with other LOC providers. Director Jimenez inquired if United States banking institutions are comparable to the German State Bank. Mr. Baron stated the German Bank State guarantee and grandfather provision in the LOC is better suited for LAC-CAL's needs and advised comparisons have been performed amongst other counties/cities to ensure a fair market rate was achieved. Director Jimenez asked if Germany's economy is stable. Mr. Baron advised the German Bank and the country's economy is stable.

Director Jimenez asked for clarification of the new fee structure paid by LACCAL. Mr. Baron reported the new fee structure as follows: 45 basis points on the utilized portion down to 28 basis points and; 17.5 basis points on unutilized portion down to 14.5 basis points.

Director Gambrell asked for the specific regulations the European Union (EU) has over the German Bank. Mr. Baron reported the EU legislation was approved by Germany and is binding at this point. Glenn Byers, Director of Public Finance, Treasurer and Tax Collector, reported County Counsel has reviewed all related documents regarding the German bank and enforceability.

On motion of Director Bush, seconded by Director Gambrell, the Corporation unanimously approved the Fourth Amendment to Letter of Credit and Reimbursement Agreement.

- c. Resolution of the Board of Directors of the Los Angeles County Capital Asset Leasing Corporation Authorizing the Execution and Delivery of Fourth Amendment Related to the Corporation's Lease Revenue Tax-Exempt Commercial Paper Notes and Approving Additional Actions with Respect Thereto:

On motion of Director Bush, seconded by Director Gambrell, the Corporation unanimously approved the Resolution of the Board of Directors of the Los Angeles County Capital Asset Leasing Corporation Authorizing the Execution and Delivery of Fourth Amendment Related to the Corporation's Lease Revenue Tax-Exempt Commercial Paper Notes and Approving Additional Actions with Respect Thereto.

DESIGNATION OF ASSISTANT SECRETARIES

On motion of Director Gambrell, seconded by Director Bush, the Corporation unanimously designated Peter Papadakis as an Assistant Secretary.

LAC+USC CONSTRUCTION PROJECT UPDATE

Doug Baron reported the project is scheduled to be completed in Fall 2007. \$187 million is outstanding and \$180 million is being used for financing and construction of the facility; no additional financing is expected for the remainder of 2005. Further, FEMA grants have been helpful in paying towards the project.

Director Gambrell asked if the project is on schedule and budget. Mr. Baron reported a 'transition' consultant was hired to oversee the change from the current facility to the new facility and from paper to paperless record keeping. However, the ability to implement 'paperless' technology of medical records is ongoing and may run over schedule. Director Bush asked for a copy of the memorandum regarding the shift to paperless medical filing (copy on file).

Mr. Byers reported TTC is working with the CAO to receive updated cash flows to ensure Commercial Paper and long-term financing needs for current and future projects. Further, Commercial Paper issuance is invested for 90 days, however, the law allows a 270 day period if needed. Director Bush asked if a bond is the ultimate destination for this project. Mr. Byers reported a bond is ideal however Commercial Paper in conjunction with a bond may be feasible.

Director Gambrell asked if there are any federal compliance issues with implementing electronic paper filing of medical records at LAC+USC. Cammy Dupont, County Counsel, reported HIPPA may have requirements and will report back to the Corporation.

LACCAL EQUIPMENT FINANCING UPDATE

Dennis Whann, TTC, reported LAC-CAL has issued \$25 million in Bond Anticipatory Notes (BANs). LAC-CAL has purchased \$20 million in equipment and has \$17 million in outstanding purchase orders; this averages to be \$1 million per month. Further, a bond sale could push the figure up to \$30 million, although collecting lease revenue will help pay down outstanding BANs.

- Sheriff department's vehicle purchase orders are currently \$9 million and will not be delivered until July 1, 2005.
- ISD has requested an item totaling \$731,000; this is presumably for computer system needs.
- LAC+USC and Rancho Hospitals have items totaling \$600,000 – \$700,000.

Director Jimenez inquired if collection of lease revenue will be sufficient in meeting purchase order demand and be able to remain within the \$25 million range. Mr. Whann stated the remaining \$5 million should be enough to stay within budget for remainder of the fiscal year. Director Jimenez asked how much LAC-CAL is authorized to use. Mr. Whann stated LAC-CAL and the Board of Supervisors agreed upon the availability of \$60 million for TTC.

Director Jimenez asked how much LAC-CAL pays on BANs. Mr. Whann reported half a percent (.50%) above the current pool treasury rate (2.75%) = (3.25 %) and a BAN interest payment is due to be paid on July 1, 2005.

UPDATE ON OUTSTANDING LACCAL ISSUED DEBT

John Wong, Auditor-Controller, reported there are \$24 million in bonds outstanding. The issuance in 2000 will clear in June 2005 and all bonds are no longer than five years. Mr. Byers reported TTC anticipates returning in Fall 2005 to request conversion of BANs to bonds.

PUBLIC COMMENT

There was none.

ADDITIONAL MATTERS NOT POSTED ON THE AGENDA (TO BE PRESENTED AND PLACED ON A FUTURE AGENDA)

There was none

ADJOURNMENT

The meeting was adjourned at 10:45 a.m.

ATTENDANCE

Martha Littlefield, Board of Supervisors
Garen Khachian, Board of Supervisors
Peter Papadakis, Board of Supervisors
Glenn Byers, Treasurer and Tax Collector
Doug Baron, Treasurer and Tax Collector
Denis Whann, Auditor-Controller

John Wong, Auditor-Controller
Cammy Dupont, County Counsel